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The Business Activities of Eric Bollmann
An International Business Promoter, 1797-1821

Part I: The Foreign Merchant

Eric Bollmann, a Hanoverian by birth who lived in this country from 1796 to 1814, is all but forgotten today. But about 150 years ago he was widely known on two continents. To be sure, this was not owing to his extensive business activities but to some daring coups during the years of the French Revolution. In 1792, when the Jacobins came into power in Paris, Bollmann spirited the Minister of War, Narbonne, out of France and shortly afterwards tried to liberate Lafayette, then held as a prisoner by the Austrians in the fortress of Olmutz. After this attempt had failed, Bollmann came to the United States and established himself as a business man in Philadelphia.

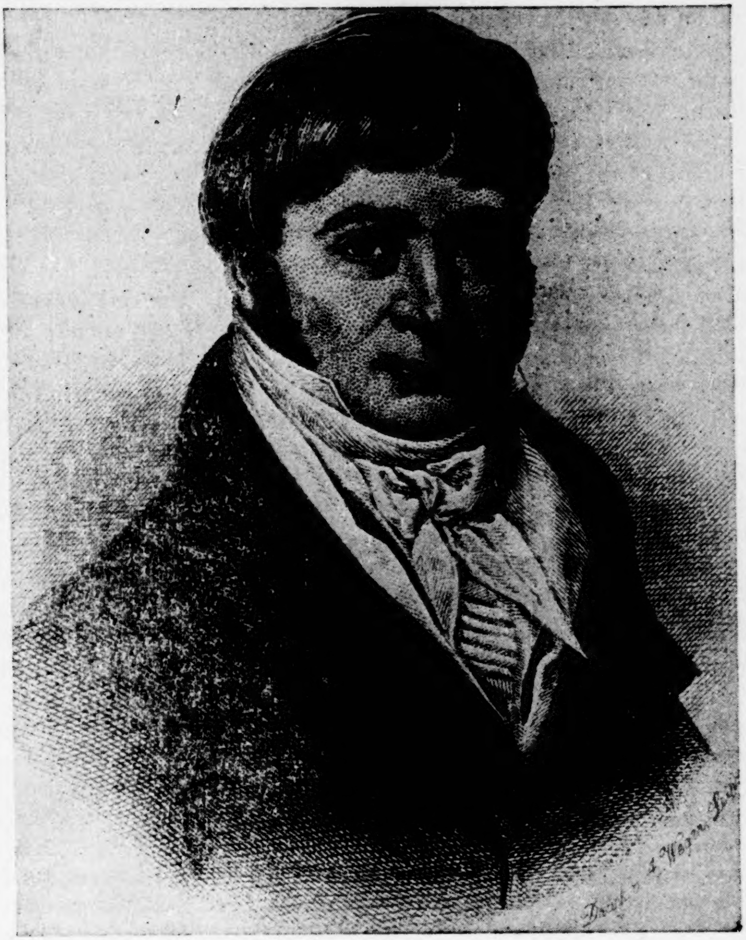
Although Bollmann's enterprises were neither successful nor on a large scale, they are interesting because they covered different fields, including the promotion of new enterprises, and used new techniques. Bollmann's business career falls into two short periods of time, the first being concerned mainly with foreign trade and the second chiefly with industrial promotion in America and Europe.

Eric Bollmann started in business in the summer of 1797, when he founded in Philadelphia the firm of E. & L. Bollmann in partnership with his brother, Lewis (Ludwig). Eric Bollmann had

not received any commercial training before launching this firm; he had studied medicine in Paris and had thereafter spent his time in traveling and in the adventures which were mentioned above. His brother, however, had had a thorough commercial education: he had been a student in Professor Buesch's then famous commercial academy in Hamburg, the forerunner of our modern schools of commerce; and he had worked as a clerk in Rouen, Birmingham, London, and finally for eighteen months in Philadelphia, in the house of John Willcocks, so that he knew the commercial setup in that port. The intention of the brothers was to become commission merchants in international trade, as was common at that time in the larger American seaports. What distinguished their enterprise from most others of the same type was the fact that it was run by two young Germans—to be sure, not the only ones then in Philadelphia business—and that they cultivated German connections. At the same time they seem to have made an attempt, never tried before, to introduce western investment and trading methods into Germany, as will be described forthwith.

As was not uncommon at that time, the young firm sent out circular letters to their German friends, one at least of which has survived. This circular was written in German and was mailed from Philadelphia to numerous addresses in Germany. It was intended as a means of building up an investment as well as an import business and is in part an early forerunner of the circular letters which modern investment houses and stockbrokers send to prospective customers. It is of particular interest as a very early German specimen of this type and an unheard-of attempt to propagate in Germany business methods which were then used both in Holland and in England.

The author of this circular tried to bring about the import of German capital into the United States, which attempt, however, was doomed to failure since it anticipated, by more than half a century, the ability of Germany to spare capital for foreign investment. Bollmann planned to become the investment agent for German capitalists who, because of war and revolutions, might like to send some of their funds to a safe country; Bollmann himself speaks of capital flight. There was then of course in Germany, in contrast to Holland, England, and France, only a very thin layer of people rich enough to have an interest in such transactions. However, that capital transfers of this type were at least thought



ERIC BOLLMANN, 1769-1821

of at that time is proved by a passage in Goethe's novel *Wilhelm Meisters Lehrjahre,* which was finished in 1796. It is furthermore known that the Landgraf von Hessen, a very wealthy German prince, had by that time invested money in Holland and England, and he was not the only German to do so.

The circular[1] began with a description of the economic situation in the United States. We must keep in mind that it was written during the time when America was experiencing her first crisis of the modern type. Thus, after giving data showing the economic strength of the country, Bollmann informed his prospects about the then present lack of stability in American business, and he felt obliged to stress the low ebb of business ethics. In the colonial period, says Bollmann, business was restricted and honest, but after independence was won the field broadened tremendously and, since there were no stable conditions in business and society as in Europe, the craving for profit found no limit. Nobody refrained from attempting to outwit, cheat, and outsmart those with whom he traded.[2] There were, furthermore, only a few houses in the seaports which at the same time had not overexpanded. Such expansion was possible because of the wide use of bank notes—implying easy credit facilities—and of promissory notes which circulated as money. Since the latter could be used even for paying customs duties, people with little or no capital could go into business without difficulty. Consequently business became very vulnerable when speculations failed, and the plight of business was then aggravated by the lack of a rigid law of credit instruments. This situation and the low state of business ethics resulted in a wave of bankruptcy and in general distrust, which however were bound automatically to lead to healthier conditions. It seemed remarkable to Bollmann that regardless of the crisis in business there was an atmosphere of happiness and well-being *(Heiterkeit*

[1]Dated Jan. 30, 1798, 31 pages. Reprinted in Friedrich Kapp, *Justus Erich Bollmann, Ein Lebensbild aus zwei Welttheilen* (Berlin, 1880), pp. 286 ff. This book is a collection of letters and documents relating to Bollmann and is to be considered as a primary source. (The German of the circular is excellent but of course old-fashioned; modern English terms are used here.) An earlier circular letter of the Bollmanns of 1797 seems to be among the Varnhagen papers in the State Library in Berlin. It would be desirable for an American library specializing in this field, such as the Baker Library, to have a photostat made and bring it to America, when that is again possible.

[2]Bollmann uses the words *ueberlisten, uebervorteilen,* and *anfuehren.*

und Wohlstand) in the country, as was evident from the fact that workers, artisans, craftsmen, and retailers scarcely suffered at all.

Having thus given the background, Bollmann started talking of business. He recommended investment in land, United States bonds, and stock of the First Bank of the United States, then the favorite investment opportunities for both American and European (Dutch and English) capitalists.

If one wanted to invest in land, Bollmann advised, one should not buy in Europe but rather through a reliable agent in America because the methods of selling land were completely unsound. Bollmann described them as follows: maps and drawings were made to deceive Europeans deliberately; rivers and towns were sketched where none existed; canals were projected as if they were already built; bluffs were described as arable land; large areas were transferred many hundred miles; plots were sold which were not owned, some being sold to several separate buyers who had to fight it out! There were few speculators who had not used most of these methods repeatedly, and none of them should be trusted since it was here as in horse-trading: many cheated deliberately, many because they had been cheated themselves.[3] If funds were to be invested in land, said Bollmann, the following should be considered as of first-rate importance: clear title, fertility of the soil, proximity to a market, the direction of internal migrations, and the State in which the land was located (Pennsylvania, Maryland, New York, and the Northwest Territory being preferable). This showed how important it was to employ a reliable agent in America. People who invested in land here had often made 200 to 500 per cent profit, whereas people who bought in Europe were cheated.

If large sums were to be put into land, the prospective buyer should buy one large tract and develop it himself by erecting mills and stores, by building roads, and by laying out villages and towns, and then sell to immigrants. Limited amounts, however, should be invested in small choice parcels in various places, and the investor should then just wait for an increase in the value, which was bound to come when the plots were carefully selected. The price of land was given as from 25 cents to $10 per *Morgen* (he probably meant per acre).

The second investment possibility explained in Bollmann's cir-

[3]How justified these warnings were is indicated by a story told by one of Bollmann's contemporaries, Charles N. Buck, in his *Memoirs* (Philadelphia, 1941), p. 60.

cular was United States bonds (or stocks, as they were then called). Bollmann described the various types in detail. He considered United States government securities absolutely safe, especially since President Adams as well as the Anti-Federalists disliked public debts and were eager to redeem them within the shortest possible time. Of course, bonds fluctuated in price, and these fluctuations, according to Bollmann, depended upon the abundance or lack of money, the comparative advantage of other investments, and occasionally just upon chance. Sometimes one type of United States securities was neglected, sometimes another. Finally the price was influenced by political events both here and in Europe. All events which would make capital take flight from Europe without influencing its safety in America tended to enhance the price of American securities. Peace in Europe, on the other hand, would result in the repatriation of European funds for investment at home—especially in the rebuilding of France and Holland—and a depression in American stocks and bonds. The bottom would not drop out, however, for in case of peace in Europe America's carrying trade would decline and her commerce become less profitable, which would drive American funds into government securities.

When a would-be agent recommends government securities of a far-away country to prospective investors, he must, of course, describe the political setup of that nation. This Bollmann did in detail. The safety of capital investments in American lands and government, he held, depended upon the prosperity of the Union, which to him seemed guaranteed. But it also depended upon the persistence of external and internal peace. Everybody in influential American circles knew how this country profited from European wars, and Bollmann thought that the government therefore would go far to preserve external peace. Nor was internal peace in danger. In a country where everybody owned something, everyone was interested to keep what he possessed and there was no incentive for political convulsions. Dissensions, such as had arisen over Jay's Treaty, would not lead to revolution, and the longer the constitution existed the more would people become accustomed to it, until finally it would be definitely accepted. Westward migration, which dispersed the population of the most advanced States of New England over wide areas, was another guarantee of internal peace. The Indians no longer represented any danger—they were on the point of being subdued by civiliza-

tion or of migrating to the "immense forests" across the Mississippi. The end of slavery was to be expected soon.

There remained one more investment possibility to be discussed, that is, stock of the Bank of the United States. Bollmann gave the charter conditions in detail and stressed the considerable fund of coin which the bank possessed in its vaults. He considered the Bank of the United States to be safer than the Bank of England, for the capital of the latter was invested in government loans and if the English government should fail to pay interest the bank would be bankrupt. The Bank of the United States, on the other hand, possessed sufficient funds to pay all its obligations even if the United States defaulted on the federal bonds in the hands of the Bank.

In the second part of his circular letter, Bollmann addressed German merchants who might be interested in trading with America. He first painted an alluring picture of the consumption of this country. Most imports, of course, came from England, but in recent years the import of linen and glass from Germany had increased and Russian produce had been imported by way of German seaports. German trade could be developed further if the German exporters would adapt themselves to the methods prevailing in America, making consignments and leaving the selling to an agent in this country. Most Germans who had established themselves in the seaports so far were uneducated people without honest principles and they had abused the confidence reposed in them. Thus American business had disappointed German exporters who had not had the good fortune to deal with reliable English or American houses. Once disappointed, German merchants would sell to American buyers only if they were accredited to a house in Germany or England on which drafts could be drawn as soon as the goods were shipped. On this basis, held Bollmann, they could not do business in America, because large American exporters who were able to buy on such terms preferred to sell the drafts for their exports and buy their imports on credit; and the smaller importers who specialized in this line could not do it, because they could buy on credit only. Therefore, if German firms wanted to build up an American business they had to accept American conditions.

After these preliminary discussions, Bollmann explained to his prospects the functions of an American agent. The agent had to get information on the financial strength of the merchants who

controlled the inland trade, because all sales to them were made against their 60- or 90-day notes. Furthermore, he had to obtain orders for the goods to be imported. When consignments were received, he had to sell against notes, cash the notes when due, and remit to Europe in good bills of exchange, which were always offered in the market. The European exporter, if he had a good agent, could expect his funds within six to eight months.

In the spring and fall the inland merchants came to the seaports of Boston, New York, Philadelphia, Baltimore, and Charleston to make their purchases. They were always in a hurry to get away again as quickly as possible, and therefore business at that time was brisk and prices were relatively high. Even substandard assortments could then be sold at better prices than good ones after the buying season was over. Goods which came too late had to be sold cheaply or kept for the next season, in which case interest and costs ate up much of the future profit. Therefore, goods for the spring season had to be shipped as soon as shipping opened and consignments for the fall season had to be shipped in July and August. Bollmann advised exporters to use fast ships; an itemized list of the goods in the consignment should arrive at least as early as the goods, but it was advisable to send a copy ahead of the shipment because the agent could often make sales on the basis of the list itself.

The prices in the list should not be set too high, because the customs duties were based on these prices. The rates were figured on the list price, plus 10 per cent. Consequently the higher the list prices, the higher the duties. It would be useless to set prices too high; dishonest agents would not care and reliable ones would sell at the highest possible price anyway. On the other hand, prices could not be listed below what goods were worth, because this would embarrass the agent who had to swear to the prices.

Bollmann thought it useless to send American price lists as information to Germany because prices fluctuated widely and the time involved was long. But it was rare that goods were sold at a loss. It was important that the shipper buy from the best sources at the lowest price. Then he had nothing to fear from regular competition. If by chance a single market was overstocked at any time, an agent could easily send the goods to another. The shipments must be adapted to the season in which they arrived, but, even if mistakes were made in this respect, they could often be corrected because this country had a variety of climates and had extensive business relations with the West Indies.

The following commissions would be charged: 1 per cent on buying securities; 5 per cent on selling commodities; and 2½ per cent on remittances. This would seem high in Europe, but it was fair under American conditions. The agent had to work hard for his clients and had to keep capital at their disposal. The commission on buying lands was 5 per cent, or 2 per cent if larger amounts were involved. Most land speculators gave their agents a share [in the profit or in the purchase?], because much trouble was involved in that sort of business and because it was desirable to insure caution on the part of the agent.

To transfer funds the German investor should open an account for the Bollmanns with one of the first-rate houses in Hamburg, such as Parish & Co. or Caspar Vogts. The Bollmanns would then draw on these firms and sell the drafts in Philadelphia, through which simple transaction capital would be transferred to America. Buyers of securities for the purpose of speculation should leave the certificates with the agents; if securities were bought for permanent investment, they would be sent to Europe.

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Thus far we have described the intentions of our friends. They were better than the result. The high hopes with which the firm started out in 1797 very quickly came to naught. The enterprise imported mainly German goods, such as cloth, iron, glassware, and especially Silesian linen. Eric Bollmann had, a few years earlier, been personally in that area of production, and his contacts with the linen manufacturers were now of great value. At the same time the Bollmanns exported to Europe coffee, tobacco, and West India produce, and occasionally they did not abstain from fliers. An unfortunate speculative tea shipment to Hamburg was later one of the causes of their disaster. The young firm had valuable backing in Europe: its friends were such firms as Baring Brothers & Co. in London and Sieveking & Co. in Hamburg. The American customers were mainly Philadelphia firms, probably enterprises which specialized in inland trade. The firm did not possess its own ships; it worked mainly on a commission basis but it must also have done a considerable business on its own account. Otherwise its bankruptcy would not be understandable, for we have no indication that the Bollmanns assumed the responsibility for payment to the consignors. The two owners of the firm had a brother, Andreas, who had made a great deal of money

in America and who acted as their agent after his return to Europe.

Three years after the enterprise had been founded it ran into difficulty, as the very smart Andreas Bollmann was the first to realize. As so often in business, unfavorable constellations and mistaken business policy had an equal share in the decline and downfall of the firm. The year 1799 witnessed a severe crisis in Hamburg, which weakened the Bollmanns' friends in that port, and at the same time there was strain on American business. The conclusion of the Peace of Amiens in 1802 resulted in disaster in the then important commercial ports of northern Europe because there, as in the United States, the merchants had expected prolonged hostilities between England and France. American goods in Europe became unsalable, and among the losers were the Bollmanns. The crisis that struck northern Europe was also felt in America and many of the Philadelphia customers of our friends became bankrupt. The Bollmanns were thus the victims of unfortunate circumstances.

At the same time, however, the Bollmanns had not run their business cautiously enough. The speculative flier in tea, which we have already mentioned, resulted in a loss of $32,000. Furthermore, they participated in the overspeculation which then characterized the import trade in German linen and made it thoroughly unsound. One of the participants in the trade has in his memoirs described the unwise policies of the firms engaged in this trade.[4] The Bollmanns, in addition to the above $32,000, lost $50,000 through failures in Philadelphia and $60,000 on their exports to Europe. German consignments to Philadelphia could no longer be sold at all, their credit in Hamburg broke down over the tea speculation, and thus the end came. They were bankrupt in 1803. Among the creditors were the Barings and Victor du Pont.[5]

When the mercantile enterprise was on the brink of collapse, Eric Bollmann hoped that another venture, upon which he and his brother had entered, would carry them through. That was a steam rolling mill on the Schuylkill River near Philadelphia, in which the Bollmanns had taken a two-thirds interest in association with Nicholas James Roosevelt, one of America's earliest steam engine and steamboat builders, and Benjamin Latrobe, the then famous engineer and architect.

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[4] *Ibid.*, pp. 54, 55, and 58.
[5] Kapp. *op. cit.*, pp. 317 ff.

From a few pages in Bollmann's handwriting preserved in the library of the Historical Society of Pennsylvania, we gain an idea of what the plant was like. These pages represent a sort of industrial diary for the days from October 25 to November 3 in 1802. Eric Bollmann, experimenting daily in the plant, came to the conclusion that it would be better to roll strips and slit rods than to roll sheet iron. The enterprise faced all the typical difficulties of early steam-driven mills. The engine had to be stopped regularly in order to work up enough steam, which meant lost time on the part of workers and machinery and expensive operation, and a defective boiler had to be replaced in 1803. Though Bollmann hoped the rolling mill would carry them when their mercantile enterprise was on the brink of failure, Roosevelt and Latrobe were unable to provide the necessary funds to keep the mill running. So this investment and all the work spent on the mill could not avert disaster.

After the failure, Eric Bollmann, separating his business interests from his brother's, tried to reëstablish himself in business. He hoped that Alexander Baring, recognizing the failure as the result of circumstance rather than of mistakes on the part of Bollmann, would open an account for him with the Hopes in Amsterdam, and that Sieveking would also back him again. He planned this time to buy in Germany on his own account through an agent over there and have the goods accompanied to this country by that agent.[6] But he failed to get the necessary financial backing.

Eric Bollmann thereupon turned to promotion and adventure of another kind. As the right-hand man of Aaron Burr, he became involved in the latter's abortive expedition against the Spanish in Mexico. After this venture had broken down, he attempted to become a cotton or sugar planter in Louisiana. Failing in this, he returned to Philadelphia. In 1808 we find him there again entering business, this time to work chiefly on the promotion of manufactures. This concluding part of his business career will be considered in a later issue of the BULLETIN.

FRITZ REDLICH, Cambridge, Massachusetts.

[6]Dec., 1803 (Kapp., *op. cit.*, p. 326). Bollmann at that time also corresponded with a firm in Konstanz: Beutter, Rahn & Vanotti. He seems to have imported plate glass for mirrors, John Jacob Astor financing the transaction. (Astor's interest in the import of glass and glassware from Germany is known. See Kenneth Wiggins Porter, *John Jacob Astor, Business Man*, Cambridge, 1931, vol. i, pp. 119 and 121.)

John Pierpont Morgan

1867-1943

In the death of J. P. Morgan on March 13, 1943, the Business Historical Society lost a life member and strong supporter. His passing ended the career of one of the leading business men of our time.

J. P. Morgan's private life was lived in the tradition of the great English and American private banker. The European bridgehead of his international banking was in London, and many of the personal connections of his family were in England. He had a New York house but his principal residence was on Long Island; he also had a house in London and a country place in Hertfordshire. He loved the sea, and his yachts—like his father's yachts named the *Corsair*—were among the best known of the world's private ships. He treasured the rare books, pictures, and art objects in his father's library and his own collection. He was something of an authority on Bibles and well read in the classics of English and Latin literature. It is said that he often came to the Bank in the morning with a quotation, applicable to the day's news, which he had derived from his reading.

Though reserved in public, with individuals Morgan was most affable and generous. He was always direct, simple, and forceful, yet thoughtful of everyone. He had a keen sense of the responsibilities that came to him. Even to the philanthropic and educational institutions which he served as trustee or member of an administrative board, he gave conscientiously of his time and energy. As a member of the Board of Overseers of Harvard University for many years he attended the meetings of the Board faithfully and participated actively in its work, and as a member of the Visiting Committee of the Harvard School of Business he gave moral and financial support to the School in its early years of struggle. The simple directness and honesty of his character invariably impressed those who met him and was the basis for continuing confidence. Among his partners he was one of the group, leading not by virtue of his position as head of the firm

but by the qualities of his personality and character and his ability as a banker.

J. P. Morgan was born on September 7, 1867, at Irvington, New York, the son of J. Pierpont Morgan of J. P. Morgan & Co., of New York, and the grandson of the American banker, J. S. Morgan, head of J. S. Morgan & Co., of London. He was educated at St. Paul's School in Concord, New Hampshire, and at Harvard College, where he received the A.B. degree in 1889. After a year with Brown Bros. in Boston, he entered banking in London in the house of J. S. Morgan & Co., and he thus received training in banking at its world's center. In January, 1892, he became a partner in the house of Drexel, Morgan & Co., of New York, already then the leading American concern in domestic investment banking, and he later became a partner in the Morgan banks of London and Paris. On the death of his father in 1913, he became the head of J. P. Morgan & Co.

It was at a critical time that the younger Morgan succeeded to the headship of the firm. The tremendous promotional drive that for over a generation characterized American business had by 1913 almost spent its force; American business was again experiencing depression; public opinion was becoming critical of banker leadership in business; and changes were taking place that tended to reduce the importance of the private banker in American business. The Pujo Committee Investigation, the Federal Reserve Act, and the death of the elder Morgan, all coming within about a year in 1912-13, marked the end of a phase of Morgan leadership.

Before the full effect of the change could work itself out, World War I transformed the business of the Morgans. When the Allies saw the necessity of purchasing war materials in the United States, they turned to J. P. Morgan & Co., which had an active house in both London and Paris. Early in 1915 J. P. Morgan & Co. became purchasing agents for the British and French governments in America. Up to the time when they turned this work over to the federal authorities on the entry of the United States into the war, they had placed orders for war supplies totaling over three billion dollars. At the same time they were also raising funds for the British and the French; they issued a $500,000,000 Anglo-French loan in October, 1915, a foreign transaction of unprecedented size, and they subsequently sold other important though smaller issues for each of the two governments. Lord Moulton later declared that France and Britain owed their survival to three

American firms, J. P. Morgan & Co., the Bethlehem Steel Co., and E. I. du Pont de Nemours & Co. The charge was made many years later that the United States had gone to war in order to save the loans which J. P. Morgan & Co. had placed for the foreign governments. As a matter of fact nearly all the loans were well secured, and the charge against the bankers died in the Munitions Investigation of 1936.

During the decade of the 1920's came the restoration of the old-time leadership of the firm as private investment bankers. J. P. Morgan & Co. in this period became the leading bond-issuing house in the world, handling mostly the more conservative issues. They headed offerings that totaled over six billion dollars, of which roughly one-third was for foreign borrowers, chiefly Great Britain, France, Belgium, and the Argentine. Historically the Morgan firm has never had any banking relations with Germany, but in accordance with the wish of the Allied governments they headed the offering in the United States by the German Reich under the Weimar Republic of a large international loan resulting from the recommendation of the Dawes Committee as well as another under the Young Plan. At home the leadership of J. P. Morgan & Co. consisted in directing the flow of capital into ventures which they thought showed promise of being constructive.

In the report of the Senate Banking and Currency Investigation of 1933 is printed a memorandum submitted by J. P. Morgan showing that one-third of all the bond issues offered by his house in the postwar period had been paid off in full, and that almost all the others were maintaining interest and sinking-fund payments. A statement of the company shows that at the outbreak of World War II in 1939 "almost all the foreign bonds offered by Mr. Morgan's firm had already been paid in full, and only one, undertaken as a part of a program of European reconstruction initiated by all the powers, had defaulted completely,—a loan for Austria." By December, 1941, according to the same statement, "out of more than $2,200,000,000 of foreign bonds brought out by the Morgan firm, it was estimated that less than $200,000,000 were still in the hands of American investors."

It is notable that the firm's net worth and its assets, chiefly deposits of customers, were modest compared with those of large incorporated banks in New York or large English institutions. The strength of J. P. Morgan & Co. lay in the quality of its business. The younger Morgan and his partners, like the partners of

the preceding generation, had attracted as clients some of the leading governments of the world and many of the best-managed corporations in the United States as well as individuals strong in finance. That strength, however, rested on confidence in the head of the firm and the partners associated with him.

The panic of 1929 brought a turning point in the work of J. P. Morgan & Co. At the beginning of the panic the Morgans led a group of banks in maintaining an orderly stock market, but even the concerted efforts of a strong group could not in the autumn of 1929 change the course of the receding tide of business. Seeing the necessity of stemming deflation, J. P. Morgan and his firm in 1933 and 1934 supported the position that the President of the United States had taken in the suspension of gold payments and in his efforts to expand credit.

Depression again brought criticism of the bankers, and as in 1913 the Morgans were investigated by Congressional committees. In the hearings before the Senate Banking and Currency Committee in 1933 and the investigation of the munitions industry by a special committee of the Senate in 1936, J. P. Morgan testified concerning the work of his firm. His testimony was direct and forceful. In the course of the 1933 hearings he submitted to the Committee a statement which expressed his conception of the function and responsibilities of the investment banker. It is reproduced in part herewith as the code of the leading American investment banker, whose banking life spanned the period of financial capitalism in America:[1]

> The private banker is a member of a profession which has been practiced since the Middle Ages. In the process of time there has grown up a code of professional ethics and customs, on the observance of which depend his reputation, his fortune, and his usefulness to the community in which he works.
>
> Some private bankers, as indeed is the case in some of the other professions, are not as observant of this code as they should be; but if, in the exercise of his profession, the private banker disregards this code, which could never be expressed in legislation, but has a force far greater than any law, he will sacrifice his credit. This credit is his most valuable possession; it is the result of years of fair and honorable dealing and, while it may be quickly lost, once lost cannot be restored for a long time, if ever. . . . .
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> The banker must at all times so conduct himself as to justify the confidence of his clients in him and thus preserve it for his successors.

[1]U. S., 73d Congress, 1st Session, *Hearings before the Committee on Banking and Currency, Stock Exchange Practices,* Pt. 1 (May 23-25, 1933), pp. 3-4.

> If I may be permitted to speak of the firm, of which I have the honor to be the senior partner, I should state that at all times the idea of doing only first-class business, and that in a first-class way, has been before our minds. We have never been satisfied with simply keeping within the law, but have constantly sought so to act that we might fully observe the professional code, and so maintain the credit and reputation which has been handed down to us from our predecessors in the firm. Since we have no more power of knowing the future than any other men, we have made many mistakes—who has not during the past 5 years—but our mistakes have been errors of judgment and not of principle.
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> . . . . .
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> The private banker has at least one other duty: he must be ready and willing at all times to give disinterested advice to his clients to the best of his ability. If he feels unable to give this advice without reference to his own interests he must frankly say so. The belief in the integrity of his advice is a great part of the credit of which I have spoken above, as being the best possession of any firm.

In accordance with New Deal legislation requiring segregation of deposit banking from investment banking, the firm of Morgan in 1934 withdrew from the investment banking business and continued as a private commercial bank. Late in 1935 some of the partners withdrew and formed Morgan, Stanley & Co., Incorporated, to do an investment banking business. J. P. Morgan's younger son, Henry Sturgis Morgan, became a member of the new firm, while the elder, Junius Spencer Morgan, remained with the old house. In 1940 J. P. Morgan & Co., Incorporated, was incorporated as a trust company under the laws of the State of New York, partly that it might exercise trust functions. J. P. Morgan up to his death remained active in the business as Chairman of the Board of J. P. Morgan & Co., Incorporated.

World War II placed heavy demands upon J. P. Morgan & Co., Incorporated, as it did upon all banks. It was in the midst of this work that J. P. Morgan passed away. His going underlines the question, how and by whom the flow of investment capital will be directed in the future. Does it mark the end of an era in business? Or will financial capitalism regain something of the hegemony that it lost in the 1930's to national capitalism? This much is clear: the strength and the weakness of any system lies in its men. American banking has lost a leader of a kind that is always needed. Its future, and that of the system which Morgan represented so long and so well, will in large measure be determined by the ability, the integrity, and the sense of responsibility of the men who shall stand at its head.